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## Economic Rationalism: Character, Origins and Effects

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### I powerful words but elusive meanings

#### i. building blocks [O.E.D.]

- 'economic': maintained for profit; on a business footing; paying the expenses
- 'rational': endowed with reason, sensible, sane, moderate
- 'rationalism': theory that reason is the foundation of certainty in knowledge
- 'rationalist': one who forms his opinions by pure or *a priori* reasoning [⇐]

#### ii. 'economic rationalism'?: interpretations:

- historians, sociologists, etc.: the pecuniary culture behind the rise of commerce, capitalism
- adherents: administrative procedures conducive to efficiency and economy
- opponents: a. the extension of 'market' principles to all aspects of human life  
b. the monopolisation of economic policy by orthodox economic principles
  - macroeconomics: fiscal austerity; anti-inflationary monetary policy
  - microeconomics: deprotection; deregulation; privatisation; contracting out; etc.

### II tension between meanings: sources of mutual hostility

#### i. the legitimate substance:

- governments should deliver programs with economy and accountability

#### ii. the illegitimate obfuscation, behind the linguistic slide

- '*a priori* reasoning is sensible and generates certain knowledge' [see I.i]
- but where do the axioms come from? [do they fall from the sky? are they innate in the mind?]

### III the character of the beast

#### i. overly generalized; universalist tendencies; religious

#### ii. driven by theoretical 'knowledge' rather than practical knowledge/experience [Oakeshott]

#### iii. incoherence (partly reflects jumbled pastiche; partly reflects hypocrisy)

- a: amalgam of various *a priori* theories (neoclassical economics, public choice theory of politics, managerialism), and philosophy/ideology (libertarianism)
- b: multi-layered *de facto* consortium of different players:
  - vested interests (self-conscious and strategic)
  - propagandists I (self-conscious ideological functionaries, esp. 'new right' think tanks) - - propagandists II (unself-conscious academic-type intellectuals and bureaucrats)
- c: hides ill-informed and incoherent articulations of how the private sector works and why it is presumed to work in the public interest (e.g. variable meanings of 'competition')
- iv. not synonymous with 'free marketism'; more akin to Benthamism? (government as an assertive vehicle for 'social engineering' by the experts, not the do-gooders)
- v. in sum: a flawed and dangerous activist system impervious to feedback & reason

#### IV effects

- i. no doubt some efficiencies effected; pockets of old corruption rooted out
- ii. inefficiencies remain (unemployment, public debt, rorting); communities uprooted (dairy)
- iii. new corruption: senior bureaucrats & the vacuous smarmy consultants rake in the loot
- iv. public administration a cacophony of dysfunctionality and lack of accountability
- v. in short: the mission statement rules, while human nature carries on, imperfect as ever

#### V the secular priesthood: sources of other-worldliness

- i. economists as priesthood: self-garbed in 'scientific' trappings; public importance
  - theorising driven by the need for analytical elegance (but consistent with ideological purity)
  - mumbo jumbo content: academic economics a scholastic edifice both arcane and irrelevant
    - the market as the supreme instrument of social betterment;
    - government picks up from 'market failure' (tail wags the dog?), strictly on the margin
  - no social context to theorising; ahistorical, anti-historical
- ii. supporting cast: certain streams of political science: public choice theory; managerialism
- iii. adoptive bureaucrats and advisers: much ignorance, cowardice, opportunism
- iv. activism: theory is true, reality is corrupt; change reality to fit the theory
  - the hard-line agencies in particular
    - Industries Assistance Commission (now Productivity Commission) 1973 - present
    - Hilmer's *National Competition Policy Report* 1993 [ultra shoddy; a disgrace]
    - National Competition Council 1995 - present

#### VI context

- i. a British Dominion (Australia, NZ, Canada) phenomenon? [colonial cringe revisited?]
  - inheritance of values (liberalism)
    - Dominion 'can do-ism' heavily dependent on the weak 'Social' version of liberalism
  - inheritance of structures (bureaucratic hierarchy centred on Treasury departments; power of financial capital) but without the underlying economic forces extant in Britain
    - thus ignorant Treasury officials have structural power over enlightened welfare workers
- ii. ideological/intellectual seeds for reaction sown late 1960s/early 1970s
  - Classical liberalism gained renewed ascendancy
  - sources of influence remain elusive (vested interests or ivory-towered theorists?)
- iii. however, US intellectual/ideological influence (though US politics itself remains detached)
  - US now the home of orthodox economics; Classical liberalism (frontierism); rank self-interest
  - fostered (hypocritically) by myriad corporate-funded think tanks
  - brought to Australia by local think tanks, and expatriates schooled in the US
  - fostered also by international agencies: OECD (Australia joins late 1960s), IMF, IBRD
- iv. decisive local influence: financial deregulation during early 1980s; cascading effects
- v. the reconstruction of domestic political culture
  - iconoclastic crash-through politicians (Dawkins, Keating, Howard, Reith)
  - the emasculation of labourist, social democratic tendencies on the left
  - the conscientious weeding out of Capital C Conservatism on the right
- vi. empowered by a heinous view of the past (pre-c.1975) [c/f Paul Kelly], to wit:
  - the old Australia: immature, isolationist, uncompetitive, inefficient
  - the new Australia: grown up, open to the world, competitive, efficient, vibrant, etc.

## VII some (potted and biased) history

- i. re the welfare 'crisis', we've been there before: the British 1834 Poor Law & the workhouse
  - the Poor Law (pre & post 1834) addressed symptoms (sweated labour, market-driven crises) rather than causes
- ii. an unarticulated deep vein of hypocrisy in Classical Liberalism (now resurgent)
  - how can bearers of a philosophy of liberty and individual rights treat the casualties of the system with such clinical ruthlessness? (c/f British treatment of the Irish & Indian famines)
- iii. the origins of 20thC national welfare systems in 19thC crises
  - the dysfunctionalities of industrial urban marketised society
  - [in GB] the dysfunctionalities and viciousness of the 1834 Poor Law
  - push by old world elites (Tories, Conservatives) to head off social decay; radicalisation
  - the inefficiencies and inadequate resources of charities acting by themselves
  - aided by supportive philosophies: Conservatism, modified (Social) Liberalism; Socialism?
  - pushed along by demands and by-products of World War
- iv. the attack on the Welfare State is an attack on the previous 150 years of reform
  - neglectful of the long tenuous road to social stability in the provision of a social 'safety net'
  - neglectful of full scale of necessary welfare provision, esp. Catholic services; now in decline
  - oblivious to heightened expectations and associated costs (e.g. teenaged pregnancies? from forced adoption to supporting mothers' benefit)
- v. the attack is *strategically-driven*
  - not predominantly a product of the end of boom and fiscal crisis
  - not electorally driven [Wilson]
- vi. Fraser's 1970s attack ideological, premonition of things to come (albeit partial); [Jones]
- vii. fiscal problems exist but are nation- and time-specific [Mitchell]
  - Australia's welfare system small-scale c/f German and Scandinavian models
- viii. welfare system problems are significantly diversion of problems of the employment system
- ix. job creation in Australia structurally constrained
  - Australia's liberalist heritage has always marginalised strategic industry policy
  - a pragmatic developmentalist substitute to mid-1970s, but killed off
- x. Labor sets agenda for Coalition take-up and furtherance
  - shift from universalism to targeting
  - the Hilmer agenda unaccountably extended from commercial enterprises to social services

## VIII strategies?

- christian do-gooders (the 'welfare lobby') should feel confident in their intuitions / practices
- adopt poses of disdain, contempt, aggression towards econocrats
- compulsory viewing: Luis Bunuel's *The Exterminating Angel* [the psychology of moral passivity]

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